

YPSILANTI HOUSING COMMISSION  
YPSILANTI, MICHIGAN

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006  
AND  
REPORTS ON INTERNAL CONTROL AND  
COMPLIANCE

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name YPSILANTI HOUSING COMMISSION	County WASHTENAW
Fiscal Year End JUNE 30, 2006		Opinion Date MARCH 15, 2007		Date Audit Report Submitted to State MARCH 18, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

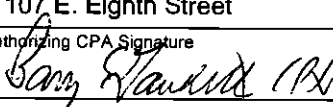
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input checked="" type="checkbox"/>	Report on Compliance and Internal Control		
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC		Telephone Number (231) 946-8930		
Street Address 1107 E. Eighth Street		City Traverse City	State MI	Zip 49686
Authorizing CPA Signature 		Printed Name Barry E. Gaudette, CPA		License Number 11050

YPSILANTI HOUSING COMMISSION  
**TABLE OF CONTENTS**  
June 30, 2006

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)	3-6
FINANCIAL STATEMENTS	
Basic Financial Statements:	
Fund Financial Statements:	
Proprietary Fund:	
Statement of Net Assets	7-8
Statement of Activities	9
Statement of Cash Flows	10-11
Notes to Financial Statements	12-22
 SUPPLEMENTAL INFORMATION	
Fund Financial Statements:	
Proprietary Fund:	
Combining Statement of Net Assets	23-24
Combining Statement of Activities	25
Combining Statement of Cash Flows	26-27
Schedule of Expenditures of Federal Awards and Notes to the Schedule of Federal Awards	 28
Financial Data Schedule	29-32
 REPORTS ON INTERNAL CONTROL AND COMPLIANCE	 33-36
Schedule of Findings and Questioned Costs	37-39
Summary Schedule of Prior Audit Findings	40

## INTRODUCTION

***Independent Auditor's Report***

Board of Commissioners  
Ypsilanti Housing Commission  
Ypsilanti, Michigan

I have audited the accompanying financial statements of the business-type activities of the Ypsilanti Housing Commission, Michigan, a component unit of the City of Ypsilanti, as of and for the year ended June 30, 2006, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Ypsilanti Housing Commission, Michigan, as of June 30, 2006, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Ypsilanti Housing Commission  
Independent Auditor's Report  
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated March 15, 2007, on my consideration of Ypsilanti Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

The management's discussion and analysis comparison information on pages 3 through 6, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise Ypsilanti Housing Commission, Michigan's basic financial statements. The accompanying financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. The accompanying schedule of expenditures of federal awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Ypsilanti Housing Commission, Michigan. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Samy E. Audette, CPA, PC*

March 15, 2007

YPSILANTI HOUSING COMMISSION  
YPSILANTI, MICHIGAN  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)**  
June 30, 2006

=====

The Ypsilanti Housing Commission, created in 1953, by the City of Ypsilanti provides housing to meet the community's needs for affordable low-income housing. As management of the Housing Commission, we offer readers this narrative overview and analysis of the financial activities of the Housing Commission for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the Housing Commission's financial statements.

**Financial Highlights**

The financial statements for Ypsilanti Housing Commission consists of three programs. The first is owned housing, consisting of 193 units of public housing, the second is the capital funding program, and the third is the housing choice voucher program consisting of 197 qualifying low-income residents for rental housing.

Ypsilanti Housing Commission had total revenues of \$2,727,284 that includes \$253,547 in rental payments and \$2,433,394 in federal assistance. Total revenues decreased by \$89,599 from the prior year, in part, because of a decrease of \$28,860 in tenant rents, less interest income as certificate of deposits had to be cashed in to pay back HUD \$32,822 for a payback of operating subsidies from a prior year and \$14,371 for rebuilding public housing units from fire damage, and other income decreasing \$48,764 because of less insurance refunds compared to the prior year. Total operating expenses were \$2,992,191, that includes \$545,521 in administrative expenses, \$161,145 in utilities, \$457,509 in ordinary maintenance and operation, \$1,457,710 in housing assistance payments, and \$253,335 in depreciation expense. The operating expenses decreased by \$39,629, in part, because of decreased Housing Assistance Payments to landlords.

The assets of the Housing Commission exceeded its liabilities at the close of the most recent fiscal year by \$2,219,815. The Housing Commission's total net assets decreased by \$312,100 from the prior year. The decrease can be attributed, in part, to the depreciation expense of \$253,335, the payment of \$32,822 to HUD for a prior year subsidy overpayment, and \$14,371 was spent on fire damage.

Total assets of the Housing Commission were \$2,355,316, of which \$288,188 consisted of current assets and \$113,750 of current liabilities. There was a net decrease in total assets of \$308,884 from the prior year. The decrease is due, in part, because of the net difference of \$42,114 between depreciation and capital asset

### Financial Highlights (continued)

outlays, and certificates of deposits of \$167,393 being cashed to pay help cover reduced tenant rents, fire damage expenses, HUD operating subsidy paybacks, and higher maintenance costs.

The Ypsilanti Housing Commission (YHC) continues to operate on a very tight fiscal basis. There has been some changes that will be outlined. These changes are: last year YHC was affected by the City code inspection fees of \$17,000 and this year the Housing Commission has not paid these assessments. YHC is in negotiations and is seeking agreements with the City of Ypsilanti because these inspections are a duplication of the REA inspections required by HUD. This year through a change of leadership in the Ypsilanti City Council and the election of a new Mayor YHC now has the support of the City to acquire Parkview Apartments. Efforts are underway to secure this property and if these efforts are successful the YHC will receive approximately \$750,000 in developer's fees. This amount and any other positive cash flows will have a positive impact on YHC's finances. Last year YHC reported that resources were expended to rehabilitate four fire units that were damaged in 2002 and install playground equipment. This year planning is underway to do significant rehabilitation on Paradise Manor to correct sidewalks, porches, replace window screens and repair the driveway/turn around and correct grading and landscaping.

A decision was made for the installation of a playground at Parkridge Apartments (MI 26-1). Again this project was completed by using a Community Build approach which used volunteers from the community and residents and children living at Parkridge Apartments. Therefore, the entire community becomes involved in the project and creates greater ownership of the residents and their children while at the same time achieving by-in by other components of the neighborhood and community and government officials.

I know of no known facts, decisions, or conditions that are expected to have a significant effect on financial positions or results of operations at this time other than those at the HUD level that reduces the performance funding system subsidy amounts that the YHC receives from HUD and the reduction of Section 8 Voucher Subsidy received from HUD as a result of changes made in the fiscal year of 2007.

Questions and comments regarding this Management Discussion and Analysis may be directed to:

Walter Norris, Jr., Executive Director  
601 Armstrong Drive, Ypsilanti, MI 48197



### Overview of the Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. The following statements are included:

- \* Statement of Net Assets - reports on the Housing Commission's current financial resources with capital and other assets and other liabilities.
- \* Statement of Activities - reports the Housing Commission's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- \* Statement of Cash Flows - reports the Housing Commission's cash flows from operating, investing, capital, and non-capital activities.

### Financial Analysis of the Housing Commission

The following combined condensed balance sheets show a summary of changes for the years ended June 30, 2006 and 2005.

	<u>2006</u>	<u>2005</u>	<u>Net Change</u>
Current assets	\$ 288,188	\$ 554,958	\$ ( 266,770)
Capital assets	<u>2,067,128</u>	<u>2,109,242</u>	<u>( 42,114)</u>
Total assets	<u>\$ 2,355,316</u>	<u>\$ 2,664,200</u>	<u>( 308,884)</u>
Current liabilities	\$ 113,750	\$ 78,560	\$ 35,190
Noncurrent liabilities	<u>21,751</u>	<u>53,725</u>	<u>( 31,974)</u>
Total liabilities	<u>135,501</u>	<u>132,285</u>	<u>3,216</u>
Net assets:			
Invested in capital assets	2,067,128	2,109,242	( 42,114)
Unrestricted	<u>152,687</u>	<u>422,673</u>	<u>( 269,986)</u>
Total net assets	<u>2,219,815</u>	<u>2,531,915</u>	<u>( 312,100)</u>
Total liabilities and net assets	<u>\$ 2,355,316</u>	<u>\$ 2,664,200</u>	<u>\$ ( 308,884)</u>

**Financial Analysis of the Housing Commission (continued)**

The following table summarizes the Statement of Activities of the Housing Commission for the years ended June 30, 2006 and 2005.

	<u>2006</u>	<u>2005</u>	<u>Net Change</u>
<b>Operating revenues:</b>			
Dwelling rent	\$ 253,547	\$ 282,407	\$ ( 28,860)
Nondwelling rent	<u>3,670</u>	<u>3,133</u>	<u>537</u>
Total operating revenues	<u>257,217</u>	<u>285,540</u>	<u>( 28,323)</u>
<b>Operating expenses:</b>			
Administration	545,521	567,820	( 22,299)
Tenant services	1,901	3,211	( 1,310)
Utilities	161,145	151,824	9,321
Ordinary maintenance and operation	457,509	406,088	51,421
Protective services		3,611	( 3,611)
General expenses	115,070	104,713	10,357
Extraordinary maintenance		29,646	( 29,646)
Housing assistance payments	1,457,710	1,540,903	( 83,193)
Depreciation	<u>253,335</u>	<u>224,004</u>	<u>29,331</u>
Total operating expenses	<u>2,992,191</u>	<u>3,031,820</u>	<u>( 39,629)</u>
<b>Non-operating revenue:</b>			
Special items	( 47,193)		( 47,193)
Interest income	8,505	17,021	( 8,516)
Operating grants	2,222,173	2,321,470	( 99,297)
Capital grants	211,221	115,920	95,301
Other income	<u>28,168</u>	<u>76,932</u>	<u>( 48,764)</u>
Total nonoperating revenue	<u>2,422,874</u>	<u>2,531,343</u>	<u>( 108,469)</u>
<b>Change in Net Assets</b>	<u><u>\$ ( 312,100)</u></u>	<u><u>\$ ( 214,937)</u></u>	<u><u>\$ ( 97,163)</u></u>

FINANCIAL STATEMENTS

YPSILANTI HOUSING COMMISSION  
STATEMENT OF NET ASSETS  
June 30, 2006  
=====

**ASSETS**

Current Assets:

Cash	\$ 89,772
Accounts receivable-tenants	4,423
Allowance for doubtful accounts	( 1,234)
Investments-unrestricted	187,790
Prepaid expenses	<u>7,437</u>

Total Current Assets 288,188

Capital Assets:

Land	935,200
Buildings	9,629,617
Equipment	<u>332,493</u>
	10,897,310
Less: accumulated depreciation	<u>( 8,830,182)</u>

Net Capital Assets 2,067,128

Total Assets \$ 2,355,316

See notes to financial statements

YPSILANTI HOUSING COMMISSION  
STATEMENT OF NET ASSETS (CONTINUED)  
June 30, 2006  
=====

**LIABILITIES and NET ASSETS**

Current Liabilities:

Accounts payable	\$ 24,138
Tenant security deposit liability	27,818
Accrued expenses	31,086
Deferred revenues	2,929
Accrued liabilities-other	<u>27,779</u>

Total Current Liabilities 113,750

Noncurrent Liabilities:

Accrued compensated absences	<u>21,751</u>
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Total Liabilities 135,501

Net Assets:

Invested in capital assets	2,067,128
Unrestricted net assets	<u>152,687</u>

Total Net Assets 2,219,815

Total Liabilities and Net Assets \$ 2,355,316

See notes to financial statements

YPSILANTI HOUSING COMMISSION  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2006  
=====

**OPERATING REVENUES:**

Dwelling rent	\$ 253,547
Non-dwelling rent	<u>3,670</u>
Total operating revenues	<u>257,217</u>

**OPERATING EXPENSES:**

Administration	545,521
Tenant services	1,901
Utilities	161,145
Ordinary maintenance and operation	457,509
General expenses	114,873
Interest expense	197
Housing assistance payments	1,457,710
Depreciation	<u>253,335</u>
Total operating expenses	<u>2,992,191</u>

Operating income(loss)	<u>(2,734,974)</u>
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**NONOPERATING REVENUES:**

Special items	( 47,193)
Investment interest income	8,505
Other income	28,168
Capital grants	211,221
Operating grants	<u>2,222,173</u>

Total nonoperating revenues	<u>2,422,874</u>
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Change in net assets	( 312,100)
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Prior period adjustments, equity transfers and correction of errors	( 762,232)
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Net assets, beginning	<u>3,294,147</u>
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Net assets, ending	<u><u>\$ 2,219,815</u></u>
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See notes to financial statements

YPSILANTI HOUSING COMMISSION  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2006  
=====

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from dwelling and nondwelling rents	\$ 264,572
Cash payments to other suppliers of goods and services	(2,024,943)
Cash payments to employees for services	( 706,124)
Cash payments for in lieu of taxes	<u>( 6,160)</u>
Net cash (used) by operating activities	<u>(2,472,655)</u>

**CASH FLOWS FROM NONCAPITAL**

**FINANCING ACTIVITIES:**

Adjustments	24,045
Special items	( 47,193)
Tenant security deposits	( 1,417)
Operating grants	2,318,847
Other revenue	<u>28,168</u>

Net cash provided by noncapital financing activities	<u>2,322,450</u>
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**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Capital grants	211,221
Payments for capital acquisitions	<u>( 211,221)</u>

Net cash provided by capital and related financing activities	<u>                    </u>
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**CASH FLOWS FROM INVESTING ACTIVITIES:**

Certificates of deposits decreased	167,393
Receipts of interest and dividends	<u>8,505</u>

Net cash provided by investing activities	<u>175,898</u>
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Net increase(decrease) in cash	25,693
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Cash, beginning	<u>64,079</u>
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Cash, ending	<u><u>\$ 89,772</u></u>
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YPSILANTI HOUSING COMMISSION  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
Year Ended June 30, 2006  
=====

**Reconciliation of cash and cash equivalents  
per statement of cash flows to the balance  
sheet:**

Cash	\$ 89,772
Restricted cash	<u>          </u>
Cash and cash equivalents per balance sheet	<u>\$ 89,772</u>

**SCHEDULE RECONCILING OPERATING INCOME  
TO NET CASH FLOW FROM OPERATING  
ACTIVITIES:**

Operating income(loss)	\$(2,734,974)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	
Depreciation	253,335
Bad debt allowance	1,200
Adjustments	( 4,722)
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	8,579
Prepaid expenses	( 706)
Increase (decrease) in liabilities:	
Accounts payable	( 1,512)
Accrued wage/payroll taxes payable	( 11,124)
Accrued compensated absences	( 6,857)
Accounts payable-PILOT	2,060
Other current liabilities	( 4,489)
Accrued liabilities-other	27,779
Deferred revenues	<u>( 1,224)</u>
Net cash (used) by operating activities	<u>\$(2,472,655)</u>

See notes to financial statements



YPSILANTI HOUSING COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006  
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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Ypsilanti Housing Commission (the Housing Commission) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Housing Commission's accounting policies are described below.

**The Reporting Entity**

The Ypsilanti Housing Commission is a component unit of the City of Ypsilanti, a Michigan home rule city. The Housing Commission is a Public Housing Agency created by the City of Ypsilanti on March 9, 1953, consisting of a five member board appointed by the City Mayor and charged with the responsibility to provide and service housing to meet the community's needs for affordable low-income housing. These financial statements include all of the resources and activities of the Ypsilanti Housing Commission over which the Housing Commission exercises operational control or which have financial significance to the Housing Commission. The Housing Commission has no component units and is not responsible for any jointly governed organizations.

**Grants and Other Intergovernmental Revenues**

The Housing Commission has entered into contracts with the U.S. Department of Housing and Urban Development (HUD). Under Contract C-3045, the Housing Commission constructed, maintains and operates 193 units of subsidized housing in the City of Ypsilanti, Michigan. The Housing Commission manages a Housing Choice Voucher program of subsidies for 197 qualifying low-income residents for rental housing. The Housing Commission receives an annual operating subsidy determined under a performance formula for units owned by the Housing Commission and an administrative fee based on the number of households it assists under its Housing Choice Voucher program.

**Fund Financial Statements**

The Housing Commission only has *business-type activities*, which rely to a significant extent on fees and charges for support. The fund financial statements include the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows.

The Housing Commission is considered one single Enterprise Fund and does not have any governmental activities.

### **Basis of Accounting**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The Housing Commission's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the economic resources measurement focus, all assets and all liabilities (whether current or noncurrent) are included in the net assets of the individual funds. Their reported net assets are segregated into invested capital assets and unrestricted net asset components. Operating statements present increases(revenues) and decreases(expenses) in net assets.

Under the accrual basis of accounting, all revenues are recorded when earned, regardless of when received, and all expenses are recorded when a liability is created, regardless of when paid.

In accordance with Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, Ypsilanti Housing Commission has elected to apply only those Financial Accounting Standards Board Statements issued prior to November 30, 1989 to its proprietary funds.

### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Housing Commission considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

### **Insurance**

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

### **Budgets and Budgetary Accounting**

The Housing Commission is required under each of its HUD contracts to adopt an annual operating budget which must be approved by HUD. Budgetary data and comparison of actual and planned performance is reported directly to HUD based on specific program reporting requirements.

### **Receivables**

All receivables are reported at their net value, reflecting where appropriate, by the estimated portion that is expected to be

uncollectible. The Housing Commission estimates the uncollectible portion of tenant rents as a percentage of gross tenant rents using prior collection experience.

#### **Short-term Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds. Receivables and payables arising from these transactions are classified as "due from other funds" and "due to other funds" on the statement of net assets.

#### **Fixed Asset Capitalization**

Fixed assets with a cost to acquire or construct of \$25 or more are capitalized and depreciated over their estimated useful lives. Depreciation is provided on a straight-line basis using the following estimate of useful lives:

Buildings	40 years
Equipment and furnishings	15 - 10 years
Building improvements	10 years

#### **Net Assets**

The Housing Commission classifies its net assets as follows:

- a. Invested in capital assets net of related debt represents all fixed assets acquired by the Housing Commission (both pre-FY 2001 and post-FY 2001) reduced by accumulated depreciation and related capital projects debt issued to purchase those assets.
- b. Unrestricted net assets indicate that portion of net assets which is available for use in future periods.

#### **Operating Revenues and Expenses**

The Housing Commission includes in operating revenues resources that are derived or received from exchange transactions. Resources derived principally from non-exchange transactions are excluded from operating income. Operating expenses include the cost of providing services. Amounts expended for capital additions and amounts expended for retirement-of-debt are excluded from operating expenses. Depreciation expense is charged to invested capital assets rather than unrestricted net assets.

#### **Use of Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management estimates. The Housing Commission uses estimates of useful lives of its fixed assets and other estimates in preparing its financial statements. Actual results may differ from the

Housing Commission's estimates.

#### **Vacation and Sick Leave**

The Housing Commission allows permanent employees to accumulate the following compensated absences:

- \* Vacation leave: Upon termination of employment, employees are entitled to receive reimbursement for any accumulated, but unused, vacation time.
- \* Sick pay: Used sick leave benefits will be allowed to accumulate indefinitely. Eligible employees will accrue sick leave benefits at the rate of 12 days per year. Upon death or retirement, the employee, the employee or heirs shall be paid for 1/2 of the employee's accumulated sick leave, at the employee's prevailing hourly rate of pay.
- \* Personal days: Personal leave may be granted for a period of up to 30 calendar days every 3 years. If this initial period of absence proves insufficient, consideration will be given to a written request for a single extension of no more than 30 calendar days.

The amount of accumulated benefits at June 30, 2006, was \$52,837, and is recorded as a liability in the applicable funds.

#### **Post Employment Benefits**

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

#### **Income Taxes**

As a component unit of a Michigan home rule city, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

#### **NOTE 2: DEPOSITS, INVESTMENTS AND CREDIT RISK**

The Housing Commission maintains cash and investment accounts in the Low Rent Program and Housing Choice Voucher funds. Landlord checks are processed through the Housing Choice Voucher account. All other receipts and disbursements are processed through the Low Rent Program accounts.

#### **Deposits**

At year-end, the carrying amount of the Housing Commission's deposits were \$89,272 and the bank balance was \$104,118 of which \$104,118 was covered by federal depository insurance. The Housing Commission also has \$500 in petty cash.

## Investments

The Housing Commission had the following investments in certificates of deposit as June 30, 2006:

Citizens Bank (CD #4528259700)	\$ 26,421
Citizens Bank (CD #4528616347)	52,993
Citizens Bank (CD #4528616354)	54,188
Citizens Bank (CD #4528616362)	<u>54,188</u>
	<u>\$187,790</u>

*Interest Rate Risk* - The Housing Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk* - The Housing Commission's investment policy approves the following securities and deposit accounts: U.S. Treasury bills, U.S. Treasury certificates, notes and bonds, certificate of deposits, commercial business savings accounts, money market accounts, obligations which are lawful investments for fiduciary and trust funds under the jurisdiction of the United States Government, Series E savings bonds and Series H savings bonds.

The Housing Commission shall deposit excess monies in the general fund and all other operating fund accounts in time, savings, or share accounts with banks or other institutions, to the extent that all unsecured deposits or accounts are insured by: the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), or State Insurance plans which are approved by the United States Comptroller of the currency as an eligible depository of trust funds of National Banks, respectively.

All excess monies over the insured limits of the financial institution or banks, the Housing Commission shall obtain collateralization of excess funds at 100% of the principal value. Such collateralization shall be in the form of U.S. Treasury Notes or Bonds in the name of the Housing Commission held in trust by the financial institution or bank. The Housing Commission may choose collateralization in the following form and percentages:

- |                                     |   |          |
|-------------------------------------|---|----------|
| 1. U.S. Treasury Notes              | - | 100%; or |
| 2. U.S. Treasury Notes and/or Bonds | - | 75% and  |
| 3. Mortgage Backed Securities       | - | 25%      |

In any such case the collateralization shall be no less than 100% of value of the funds in all accounts. The financial institution shall provide a statement of the collateralization at a minimum once every quarter to the Housing Commission.

The Housing Commission has no investment policy that would further limit its investment choices.

*Concentration of Credit Risk* - The Housing Commission places no limit on the amount the Housing Commission may invest in any one issuer. All of the Housing Commission's investments are reported in the Enterprise Fund.

A reconciliation of cash as shown on the statement of net assets is as follows:

Cash on hand	\$ 500
Carrying amount of deposits	89,272
Investments	<u>187,790</u>
Total	<u>\$ 277,562</u>
Cash and cash equivalents:	
Enterprise activities	\$ 292,408
Enterprise activities - checks written in excess of deposits	<u>( 14,846)</u>
Total	<u>\$ 277,562</u>

### NOTE 3: RECEIVABLES AND PAYABLES

#### Tenant Accounts Receivable

Tenant accounts receivable are recorded at gross amount and reduced by the estimated amount uncollectible. At June 30, 2006, the receivables were \$4,423 with \$1,234 estimated as uncollectible. Bad debt expense was \$8,024.

#### Inter-fund Receivables, Payables, and Transfers

Interfund receivables and payables are recorded as "due from other programs" and "due to other programs".

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Low Rent Program	\$ -	Housing Choice Voucher Program	\$ -
	<u>\$ -</u>		<u>\$ -</u>

The capital fund program transferred \$147,452 to the Low Rent Program during the fiscal year ended June 30, 2006.

**NOTE 4: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Balance</u> <u>06/30/05</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Transfers</u>	<u>Balance</u> <u>06/30/06</u>
<b>Housing Choice Voucher Program</b>				
Furniture, equip. and machinery-administration	\$ 594	\$	\$	\$ 594
	594	\$	\$	594
Less accumulated depreciation	( 594)	\$		( 594)
Total	\$			\$
<b>Capital Fund Program</b>				
Building improvements	\$ 115,920	\$	\$ 115,920	\$
<b>Low Rent Program</b>				
Land	\$ 935,200	\$	\$	\$ 935,200
Buildings	9,581,076	48,541		9,629,617
Furniture, equip. & machinery - dwellings	39,733	149,984		189,717
Furniture, equip. & machinery - administration	129,486	12,696		142,182
	10,685,495	\$ 211,221	\$	10,896,716
Less accumulated depreciation	(8,576,252)	\$(253,336)	\$	(8,829,588)
Total	\$2,109,243			\$2,067,128
<b>Combined Totals</b>				<u>\$2,067,128</u>

**NOTE 5: INVESTED IN CAPITAL ASSETS**

Changes in invested in capital assets in the enterprise fund type for the year ended June 30, 2006, consist of the following:

	<u>Invested in Capital Assets</u>
Balance, beginning	\$ 2,109,242
Investment in fixed assets, net of depreciation paid for from operations net of depreciation.	<u>( 42,114)</u>
Balance, ending	<u>\$ 2,067,128</u>

These reclassifications are investments in fixed assets, net of depreciation paid for from operations.

**NOTE 6: OTHER INFORMATION**

**A. Pension Plan**

Before the calendar year ending 2005 began, the Housing Commission's Defined Benefit Plan (401a) with the Municipal Employees' Retirement System of Michigan (MERS) under the umbrella of the City of Ypsilanti was terminated. The Housing Commission now has a defined contribution plan with ICMA. During the fiscal year ended June 30, 2006, contributions of \$13,787 were made.

**B. Current Vulnerability Due to Certain Concentrations**

The Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice to inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

**C. Risk Management and Litigation**

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which it obtains coverage from commercial companies. The Housing Commission has had no settled claims resulting from these risks that exceed their commercial coverage in the current year or the three prior fiscal years.



**D. Prior Period Adjustments, Equity Transfers and Correction of Errors**

Low Rent Program

Report submitted on different system	\$ (248,469)
Capital assets for 12/31/04	76,122
Accounting fee	( 7,200)
Depreciation on 6/1/90 home rehabilitation	(526,730)
Depreciation on capital assets bought 12/31/04	( 3,806)
Equity transfer	211,221
To adjust interprogram receivable/payables to zero	61,293
To adjust legal cash to zero	<u>( 1,000)</u>
	<u>\$ (438,569)</u>

Capital Fund Program

Equity transfer	\$ (211,221)
Adjust for equity transfer at 12/31/05	<u>(115,920)</u>
	<u>\$ (327,141)</u>

Housing Choice Voucher Program

Report submitted on different system	<u>\$ 3,478</u>
--------------------------------------	-----------------

**E. Leases**

Details of the Housing Commission's outstanding capital leases, are set forth below;

Telephone system: The Housing Commission began leasing the telephone system on March 1996 for \$320.74 per month. The lease was originally for five (5) years. The payments during the fiscal year 2005/2006 was \$196.39 per month.

Lease payments over the next five years are as follows:

2006	\$ 2,357
2007	2,357
2008	2,357
2009	2,357
2010	2,357

## F. Special Items

During the fiscal year ended June 30, 2006, \$14,371 was spent on units damaged by fire and not covered by insurance because of a deductible. On May 17, 2006, the Housing Commission paid the first of three installment of \$32,822 to HUD for the overpayment by HUD of subsidies in prior years.

## NOTE 7: SUBSEQUENT EVENTS

On February 2007, the Housing Commission lost a 6 unit apartment building to a fire.

## NOTE 8: SEGMENT INFORMATION

The Housing Commission maintains one Enterprise Fund that includes three separate programs which provide housing assistance and grant programs. Segment information for the year ended June 30, 2006, was as follows:

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice Vouchers</u>
<b>Condensed Statement of Net Assets</b>			
Current assets	\$ 277,380	\$	\$ 10,808
Capital assets	<u>2,067,128</u>		
Total assets	<u>\$ 2,344,508</u>	<u>\$</u>	<u>\$ 10,808</u>
Current liabilities	\$ 113,750	\$	\$
Noncurrent liabilities	<u>21,751</u>		
Total noncurrent liabilities	<u>135,501</u>		
Net assets:			
Invested in capital assets	2,067,128		
Unrestricted net assets	<u>141,879</u>		<u>10,808</u>
Total net assets	<u>2,209,007</u>		<u>10,808</u>
Total liabilities & net assets	<u>\$ 2,344,508</u>	<u>\$</u>	<u>\$ 10,808</u>

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice Vouchers</u>
<b>Condensed Statement of Activities</b>			
Dwelling and nondwelling rents	\$ 257,217	\$	\$
Depreciation	( 253,335)		
Other operating expenses	<u>(1,160,048)</u>		<u>( 1,578,808)</u>
Operating(loss)	(1,156,166)		( 1,578,808)
Nonoperating revenues:			
Special items	( 47,193)		
Investment earnings	8,232		273
Other income	27,272		896
Operating grants	501,306	147,452	1,573,415
Capital grants		211,221	
Operating transfers	<u>147,452</u>	<u>(147,452)</u>	
Change in net assets	( 519,097)	211,221	( 4,224)
Prior period adjustments	( 438,569)	(327,141)	3,478
Beginning net assets	<u>3,166,673</u>	<u>115,920</u>	<u>11,554</u>
Ending net assets	<u>\$ 2,209,007</u>	<u>\$</u>	<u>\$ 10,808</u>
<b>Condensed Statement of Cash Flows</b>			
Net cash provided (used) by:			
Operating activities	\$ ( 897,325)	\$	\$ ( 1,575,330)
Noncapital financing activities	749,003		1,573,447
Capital and related financing activities			
Investing activities	<u>175,625</u>		<u>273</u>
Net increase(decrease)	27,303		( 1,610)
Beginning cash and cash equivalents	<u>51,661</u>		<u>12,418</u>
Ending cash and cash equivalents	<u>\$ 78,964</u>	<u>\$</u>	<u>\$ 10,808</u>

## SUPPLEMENTARY INFORMATION

YPSILANTI HOUSING COMMISSION  
**COMBINING STATEMENT OF NET ASSETS**  
June 30, 2006

=====

C-3045	Capital
Low Rent	Fund
Program	Program
<u>14.850</u>	<u>14.872</u>

**ASSETS**

Current assets:

Cash	\$	78,964	\$
Accounts receivable-tenants		4,423	
Allowance for doubtful accounts	(	1,234)	
Investments-unrestricted		187,790	
Prepaid expenses		<u>7,437</u>	
Total current assets		<u>277,380</u>	

Capital assets:

Land		935,200	
Buildings		9,629,616	
Equipment		331,899	
Building improvements		<u>1</u>	
		10,896,716	
Less accumulated depreciation	(	<u>8,829,588)</u>	
Net capital assets		<u>2,067,128</u>	
Total Assets	\$	<u>2,344,508</u>	\$

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$ 10,808	\$ 89,772
	4,423
	( 1,234)
	187,790
	<u>7,437</u>
<u>10,808</u>	<u>288,188</u>
	935,200
	9,629,616
594	332,493
	<u>1</u>
594	10,897,310
<u>( 594)</u>	<u>( 8,830,182)</u>
	<u>2,067,128</u>
<u>\$ 10,808</u>	<u>\$ 2,355,316</u>

YPSILANTI HOUSING COMMISSION  
**COMBINING STATEMENT OF NET ASSETS (CONTINUED)**  
June 30, 2006  
=====

C-3045	Capital
Low Rent	Fund
Program	Program
<u>14.850</u>	<u>14.872</u>

**LIABILITIES and NET ASSETS**

Current liabilities:		
Accounts payable	\$ 24,138	\$
Tenant security deposit liability	27,818	
Accrued expenses	31,086	
Deferred revenues	2,929	
Accrued liabilities-other	<u>27,779</u>	<u>          </u>
Total current liabilities	113,750	
Noncurrent liabilities:		
Accrued compensated absences	<u>21,751</u>	<u>          </u>
Total liabilities	<u>135,501</u>	<u>          </u>
Net Assets:		
Invested in capital assets	2,067,128	
Unrestricted net assets	<u>141,879</u>	<u>          </u>
Total net assets	<u>2,209,007</u>	<u>          </u>
Total Liabilities and Net Assets	<u>\$2,344,508</u>	<u>\$          </u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$	\$ 24,138
	27,818
	31,086
	2,929
<u>          </u>	<u>27,779</u>
	113,750
<u>          </u>	<u>21,751</u>
<u>          </u>	<u>135,501</u>
	2,067,128
<u>10,808</u>	<u>152,687</u>
<u>10,808</u>	<u>2,219,815</u>
<u>\$ 10,808</u>	<u>\$ 2,355,316</u>



YPSILANTI HOUSING COMMISSION  
**COMBINING STATEMENT OF ACTIVITIES**  
 Year Ended June 30, 2006  
 =====

	C-3045 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
<b>OPERATING REVENUES:</b>		
Dwelling rent	\$ 253,547	\$
Nondwelling rent	<u>3,670</u>	<u>          </u>
Total operating revenues	<u>257,217</u>	<u>          </u>
<b>OPERATING EXPENSES:</b>		
Administration	424,423	
Tenant services	1,901	
Utilities	161,145	
Ordinary maintenance and operation	457,509	
General expenses	114,873	
Interest expense	197	
Housing assistance payments		
Depreciation	<u>253,335</u>	<u>          </u>
Total operating expenses	<u>1,413,383</u>	<u>          </u>
Operating income(loss)	<u>(1,156,166)</u>	<u>          </u>
<b>NONOPERATING REVENUES:</b>		
Operating transfers in (out)	147,452	(147,452)
Special items	( 47,193)	
Investment interest income	8,232	
Other income	27,272	
Capital grants		211,221
Operating grants	<u>501,306</u>	<u>147,452</u>
Total nonoperating revenues	<u>637,069</u>	<u>211,221</u>
Change in net assets	( 519,097)	211,221
Prior period adjustments, equity transfers and correction of errors	( 438,569)	(327,141)
Net assets, beginning	<u>3,166,673</u>	<u>115,920</u>
Net assets, ending	<u><u>\$2,209,007</u></u>	<u><u>\$</u></u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
 \$	 \$ 253,547
<u>                    </u>	<u>          3,670</u>
 <u>                    </u>	 <u>          257,217</u>
 121,098	545,521
	1,901
	161,145
	457,509
	114,873
	197
1,457,710	1,457,710
<u>                    </u>	<u>          253,335</u>
<u>1,578,808</u>	<u>2,992,191</u>
<u>(1,578,808)</u>	<u>( 2,734,974)</u>
	( 47,193)
273	8,505
896	28,168
	211,221
<u>1,573,415</u>	<u>2,222,173</u>
<u>1,574,584</u>	<u>2,422,874</u>
( 4,224)	( 312,100)
3,478	( 762,232)
<u>11,554</u>	<u>3,294,147</u>
<u>\$ 10,808</u>	<u>\$ 2,219,815</u>

YPSILANTI HOUSING COMMISSION  
**COMBINING STATEMENT OF CASH FLOWS**  
Year Ended June 30, 2006

=====

	C-3045 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from dwelling and nondwelling rents	\$ 264,572	\$
Cash payments to other suppliers of goods and services	( 567,369)	
Cash payments to employees for services	( 588,368)	
Cash payments for in lieu of taxes	<u>( 6,160)</u>	
Net cash (used) by operating activities	<u>( 897,325)</u>	
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Adjustments	24,045	
Special items	( 47,193)	
Tenant security deposits	( 1,417)	
Due from/to other funds	97,538	
Operating transfers in (out)	147,452	( 147,452)
Operating grants	501,306	147,452
Other revenue	<u>27,272</u>	
Net cash provided by noncapital financing activities	<u>749,003</u>	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Capital grants		211,221
Payments for capital acquisitions		<u>( 211,221)</u>
Net cash provided by capital and related financing activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Certificates of deposits decreased	167,393	
Receipts of interest and dividends	<u>8,232</u>	
Net cash provided by investing activities	<u>175,625</u>	
Net increase(decrease) in cash	27,303	
Cash, beginning	<u>51,661</u>	
Cash, ending	<u><u>\$ 78,964</u></u>	<u><u>\$</u></u>

Housing Choice Vouchers 14.871	Totals
\$	\$ 264,572
(1,457,574)	( 2,024,943)
( 117,756)	( 706,124)
	( 6,160)
<u>(1,575,330)</u>	<u>( 2,472,655)</u>
	24,045
	( 47,193)
	( 1,417)
( 97,538)	
1,670,089	2,318,847
<u>896</u>	<u>28,168</u>
<u>1,573,447</u>	<u>2,322,450</u>
	211,221
	( 211,221)
	167,393
<u>273</u>	<u>8,505</u>
<u>273</u>	<u>175,898</u>
( 1,610)	25,693
<u>12,418</u>	<u>64,079</u>
<u>\$ 10,808</u>	<u>\$ 89,772</u>

YPSILANTI HOUSING COMMISSION  
**COMBINING STATEMENT OF CASH FLOWS (CONTINUED)**  
Year Ended June 30, 2006  
=====

C-3045	Capital
Low Rent	Fund
Program	Program
<u>14.850</u>	<u>14.872</u>

**RECONCILIATION OF CASH AND CASH  
EQUIVALENTS PER STATEMENT OF CASH  
FLOWS TO THE BALANCE SHEET:**

Cash	\$ 78,964	\$
Restricted cash	<u>          </u>	<u>          </u>
Cash and cash equivalents per balance sheet	<u>\$ 78,964</u>	<u>\$</u>

**SCHEDULE RECONCILING OPERATING INCOME  
TO NET CASH FLOW FROM OPERATING  
ACTIVITIES:**

Operating income(loss)	\$( 1,156,166)	\$
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:		
Depreciation	253,335	
Bad debt allowance	1,200	
Adjustments	( 8,200)	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	8,579	
Prepaid expenses	( 706)	
Increase (decrease) in liabilities:		
Accounts payable	( 1,512)	
Accrued wage/payroll taxes payable	( 11,124)	
Accrued compensated absences	( 6,857)	
Accounts payable-PILOT	2,060	
Other current liabilities	( 4,489)	
Accrued liabilities-other	27,779	
Deferred revenues	<u>( 1,224)</u>	
Net cash (used) by operating activities	<u>\$( 897,325)</u>	<u>\$</u>

Housing Choice Vouchers 14.871	Totals
---	--------

\$ 10,808	\$ 89,772
-----------	-----------

<u>\$ 10,808</u>	<u>\$ 89,772</u>
------------------	------------------

\$ ( 1,578,808)	\$ ( 2,734,974)
-----------------	-----------------

	253,335
	1,200
3,478	( 4,722)
	8,579
	( 706)
	( 1,512)
	( 11,124)
	( 6,857)
	2,060
	( 4,489)
	27,779
	( 1,224)

<u>\$ ( 1,575,330)</u>	<u>\$ ( 2,472,655)</u>
------------------------	------------------------

YPSILANTI HOUSING COMMISSION  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS**  
Year Ended June 30, 2006  
=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	Federal Grantor	CFDA No.	Expenditures
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing Major - Direct Program</u>		
2006	Low Rent Public Housing	14.850	\$ 501,306
	<u>Public and Indian Housing Major - Direct Program</u>		
2006	Capital Fund Program	14.872	358,673
	<u>Low Income Public Housing Major - Direct Program</u>		
2006	Housing Choice Vouchers	14.871	<u>1,573,415</u>
	Total		<u>\$2,433,394</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

**NOTE 1: Significant Accounting Policies**

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

## YPSILANTI HOUSING COMMISSION

## FINANCIAL DATA SCHEDULE

Year Ended June 30, 2006

=====

FDS Line Item No.		C-3045 Low Rent Program 14.850	Capital Fund Program 14.872
	<b>ASSETS</b>		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 45,571	\$
114	Cash-tenant security deposits	<u>33,393</u>	<u></u>
100	Total cash	<u>78,964</u>	<u></u>
	Receivables:		
126	A/R-tenants-dwelling rents	4,423	
126.1	Allowance for doubtful accounts - dwelling rents	<u>( 1,234)</u>	<u></u>
120	Total receivables, net of allowance for doubtful accounts	<u>3,189</u>	<u></u>
	Current Investments:		
131	Investments-unrestricted	<u>187,790</u>	<u></u>
	Other Current Assets:		
142	Prepaid expenses and other assets	7,437	
144	Interprogram due from	<u></u>	<u></u>
	Total other current assets	<u>7,437</u>	<u></u>
150	Total current assets	<u>277,380</u>	<u></u>
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	935,200	
162	Buildings	9,629,616	
163	Furn, equip & mach-dwellings	189,717	
164	Furn, equip & mach-admin.	142,182	
165	Building improvements	1	
166	Accumulated depreciation	<u>(8,829,588)</u>	<u></u>
160	Total fixed assets, net of accumulated depreciation	<u>2,067,128</u>	<u></u>
180	Total noncurrent assets	<u>2,067,128</u>	<u></u>
190	Total Assets	<u>\$ 2,344,508</u>	<u>\$</u>



Housing Choice Vouchers 14.871	Totals
\$ 10,808	\$ 56,379
	33,393
<u>10,808</u>	<u>89,772</u>
	4,423
	<u>( 1,234)</u>
	3,189
	<u>187,790</u>
	7,437
	<u>7,437</u>
<u>10,808</u>	<u>288,188</u>
	935,200
	9,629,616
	189,717
594	142,776
	1
<u>( 594)</u>	<u>( 8,830,182)</u>
	<u>2,067,128</u>
	<u>2,067,128</u>
<u>\$ 10,808</u>	<u>\$ 2,355,316</u>

YPSILANTI HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
Year Ended June 30, 2006  
=====

FDS Line Item No.		C-3045 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
<b>LIABILITIES and NET ASSETS</b>			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable<=90 days	\$ 15,918	\$
322	Accrued compensated absences	31,086	
333	Accounts payable-other government	8,220	
341	Tenant security deposits	27,818	
342	Deferred revenues	2,929	
346	Accrued liabilities-other	27,779	
347	Interprogram due to	<u>          </u>	<u>          </u>
310	Total current liabilities	113,750	
	Noncurrent Liabilities:		
354	Accrued compensated absences	<u>21,751</u>	<u>          </u>
300	Total liabilities	<u>135,501</u>	<u>          </u>
	Net Assets:		
508.1	Invested in capital assets	<u>2,067,128</u>	<u>          </u>
508	Total invested in capital assets	2,067,128	
512.1	Unrestricted net assets	<u>141,879</u>	<u>          </u>
513	Total Net Assets	<u>2,209,007</u>	<u>          </u>
600	Total Liabilities and Net Assets	<u>\$ 2,344,508</u>	<u>\$</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$	\$ 15,918
	31,086
	8,220
	27,818
	2,929
	27,779
<u>          </u>	<u>          </u>
	113,750
<u>          </u>	<u>21,751</u>
<u>          </u>	<u>135,501</u>
<u>          </u>	<u>2,067,128</u>
	2,067,128
<u>10,808</u>	<u>152,687</u>
<u>10,808</u>	<u>2,219,815</u>
<u>\$ 10,808</u>	<u>\$ 2,355,316</u>

YPSILANTI HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
Year Ended June 30, 2006  
=====

FDS Line Item No.		C-3045 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	<b>Revenue:</b>		
703	Net tenant rental revenue	\$ 253,547	\$
704	Tenant revenue-other	<u>3,670</u>	
705	Total tenant revenue	257,217	
706	HUD PHA grants	501,306	147,452
706.1	Capital grants		211,221
711	Investment income-unrestricted	8,232	
715	Other revenue	<u>27,272</u>	
700	Total revenue	<u>794,027</u>	<u>358,673</u>
	<b>Expenses:</b>		
	Administrative:		
911	Administrative salaries	207,054	
912	Auditing fees	7,200	
915	Employee benefit contributions-adm.	89,861	
916	Other operating-administrative	120,308	
	Tenant Services:		
924	Tenant services-other	1,901	
	Utilities:		
931	Water	121,625	
932	Electricity	16,300	
933	Gas	23,220	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	190,689	
942	Ordinary maint & oper-mat'ls & other	73,988	
943	Ordinary maint & oper-contract costs	110,049	
945	Employee benefit contributions	82,783	
	General expenses:		
961	Insurance premiums	98,358	
962	Other general expenses	271	
963	Payments in lieu of taxes	8,220	
964	Bad debt-tenant rents	8,024	
967	Interest expense	<u>197</u>	
969	Total operating expenses	<u>1,160,048</u>	
970	Excess operating revenue over operating expenses	<u>( 366,021)</u>	<u>358,673</u>

Housing Choice Vouchers 14.871	Totals
\$	\$ 253,547
	3,670
	257,217
1,573,415	2,222,173
	211,221
273	8,505
896	28,168
<u>1,574,584</u>	<u>2,727,284</u>
117,756	324,810
	7,200
	89,861
3,342	123,650
	1,901
	121,625
	16,300
	23,220
	190,689
	73,988
	110,049
	82,783
	98,358
	271
	8,220
	8,024
	197
<u>121,098</u>	<u>1,281,146</u>
<u>1,453,486</u>	<u>1,446,138</u>

YPSILANTI HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
Year Ended June 30, 2006  
=====

FDS Line Item No.		C-3045 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	<b>Expenses continued:</b>		
	Other expenses:		
973	Housing assistance payments		
974	Depreciation expense	<u>253,335</u>	<u>          </u>
	Total other expenses	<u>253,335</u>	<u>          </u>
900	Total expenses	<u>1,413,383</u>	<u>          </u>
	Excess (deficiency) of operating revenue over(under) expenses before other financing sources (uses)	<u>( 619,356)</u>	<u>358,673</u>
	<b>Other Financing Sources(Uses):</b>		
1001	Operating transfers in (out)	147,452	(147,452)
1008	Special items	<u>( 47,193)</u>	<u>          </u>
	Total other financing sources (uses)	<u>100,259</u>	<u>(147,452)</u>
1000	Excess (deficiency) of operating revenue over(under) expenses	( 519,097)	211,221
1103	Beginning Net Assets	3,166,673	115,920
1104	Prior period adjustments, equity transfers and correction of errors	<u>( 438,569)</u>	<u>(327,141)</u>
	Ending Net Assets	<u>\$ 2,209,007</u>	<u>\$          </u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
1,457,710	1,457,710
	<u>253,335</u>
<u>1,457,710</u>	<u>1,711,045</u>
<u>1,578,808</u>	<u>2,992,191</u>
 ( 4,224)	 ( 264,907)
 <u>          </u>	 <u>( 47,193)</u>
 <u>          </u>	 <u>( 47,193)</u>
 ( 4,224)	 ( 312,100)
11,554	3,294,147
 <u>3,478</u>	 <u>( 762,232)</u>
<u>\$ 10,808</u>	<u>\$ 2,219,815</u>

**Barry E. Gaudette, CPA, P.C.**

CERTIFIED PUBLIC ACCOUNTANT

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Traverse City, Michigan 49686  
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**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards**

Board of Housing Commissioners  
Ypsilanti Housing Commission  
Ypsilanti, Michigan

I have audited the financial statements of the business-type activities of the Ypsilanti Housing Commission, Michigan, (Housing Commission) as of and for the year ended June 30, 2006, which collectively comprise the Housing Commission's basic financial statements and have issued my report thereon dated March 15, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 06-1. I consider item 06-1 to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which



Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with *Government Auditing Standards*  
Ypsilanti Housing Commission  
Page Two

**Compliance and Other Matters (continued)**

could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as item 06-2. I consider item 06-2 to be a material weakness.

I also noted certain additional matters that I reported to management of Ypsilanti Housing Commission, Michigan, in a separate letter dated March 15, 2007.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Benny E. Landolt, CPA, PC*

March 15, 2007

**Report on Compliance with Requirements  
Applicable To Each Major Program and  
Internal Control over Compliance  
in Accordance with OMB Circular A-133**

Board of Housing Commissioners  
Ypsilanti Housing Commission  
Ypsilanti, Michigan

**Compliance**

I have audited the compliance of the Ypsilanti Housing Commission , Michigan, (Housing Commission) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Housing Commission's compliance with those requirements.

Report on Compliance with Requirements  
Applicable to Each Major Program and  
Internal Control Over Compliance in  
Accordance with OMB Circular A-133  
Ypsilanti Housing Commission  
Page Two

**Compliance (continued)**

In my opinion, the Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

**Internal Control Over Compliance**

The management of the Housing Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses. I have noted other matters involving the internal control over financial reporting that I have reported to management of the Housing Commission in a separate letter dated March 15, 2007.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Sandy E. VandeBurg, CPA*

March 15, 2007

YPSILANTI HOUSING COMMISSION  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
June 30, 2006  
=====

**A. Summary of Audit Results**

Financial Statements

1. Type of Auditor's Report issued: Unqualified
2. Internal control over financial reporting:
  - a. Material weakness identified Yes
  - b. Reportable condition identified that is not a material weakness No
3. Noncompliance material to financial statements: Yes

Federal Awards

1. Internal control over major programs:
  - a. Material weakness identified No
  - b. Reportable condition that is not a material weakness No
2. Type of auditor's report issued on compliance for major programs Unqualified
3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 No
4. Identification of major programs:

<u>CFDA</u> <u>Number</u>	<u>Federal Program</u>	<u>Amount</u> <u>Expended</u>	<u>Major</u> <u>Program</u>	<u>Compliance</u> <u>Requirement</u>	<u>Questioned</u> <u>Costs</u>	<u>Audit</u> <u>Finding</u>
14.850	Low Rent Public Housing	\$ 501,306	Yes	O	N/A	N/A
14.872	Capital Fund Program	358,673	Yes	O	N/A	N/A
14.871	Housing Choice Vouchers	<u>1,573,415</u>	Yes	O	N/A	N/A
	<b>Total</b>	<b><u>\$2,433,394</u></b>				

5. Dollar threshold used to distinguish between type A and type B programs \$300,000
6. Auditee qualified as low-risk auditee? No

YPSILANTI HOUSING COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
June 30, 2006  
=====

**B. Financial Statement Findings**

**Finding 06-1:**

*Criteria:* The Housing Commission does its own financial statements with software that it has purchased.

*Statement of Condition:* Management and the Board have not been receiving interim financial statements on a timely basis. My understanding is that they did not receive any at all for the fiscal year ending June 30, 2006.

*Questioned Costs:* There are no questioned costs.

*Perspective Information:* It is essential that interim financial statements be prepared for management and the Board on a monthly basis and they should be timely.

*Cause and Effect:* The Housing Commission has a new accountant on staff and that individual has been trying to get familiar with the accounting software the Housing Commission owns.

*Recommendation:* I recommend that management and the Board be provided monthly financial statements on a timely basis. The accountant should begin doing this before the fiscal year ending June 30, 2007 is completed. If this can not be done, I recommend the Housing Commission consider contracting with a fee accountant before the fiscal year ends.

*Grantee Response:* We agree that management and the Board should be receiving monthly financial statements on a timely basis.

YPSILANTI HOUSING COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
June 30, 2006  
=====

**B. Financial Statement Findings (continued)**

**Finding 06-2:**

*Criteria:* The Housing Commission's trial balance should be adjusted to fairly present the financial position without material misstatement.

*Statement of Condition:* The trial balance as of June 30, 2006 required material audit adjusting journal entries. The necessary adjusting entries are listed in the management advisory comments report.

*Questioned Costs:* There were no questioned costs.

*Perspective Information:* The interprogram receivables and payables should be equal, but an adjustment of \$426,548 was necessary. An adjustment of \$526,730 was necessary to reduce depreciation expense, because of an adjustment for prior periods. There were several material reclassifications necessary and many immaterial reclassifications.

*Cause and Effect:* The Housing Commission has a new accountant on staff, who is trying to get familiar with the accounting software the Housing Commission owns. The effect is that management and the Board are not able to rely on the trial balance.

*Recommendation:* I recommend that the staff accountant make all of the audit adjusting entries to reflect a beginning trial balance as of July 1, 2006 that agrees to the audit report.

*Grantee Response:* We agree to this finding.

**C. Federal Award Findings and Questioned Costs**

None

YPSILANTI HOUSING COMMISSION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
June 30, 2006  
=====

NONE

YPSILANTI HOUSING COMMISSION  
INDEPENDENT AUDITORS' REPORTS  
ON COMMUNICATIONS WITH THE  
AUDIT COMMITTEE/BOARD OF COMMISSIONERS  
AND  
MANAGEMENT ADVISORY COMMENTS

JUNE 30, 2006



**YPSILANTI HOUSING COMMISSION**  
**CONTENTS**  
**JUNE 30, 2006**

	<u>Page</u>
Independent Auditors' Report on Communications With the Audit Committee/Board of Commissioners	1-2
Independent Auditors' Report on Management Advisory Comments	3
Management Advisory Comments	4-9
Adjusting Journal Entries	10-12

**INDEPENDENT AUDITORS' REPORT ON  
COMMUNICATIONS WITH THE AUDIT COMMITTEE/  
BOARD OF COMMISSIONERS**

To the Board of Commissioners  
Ypsilanti Housing Commission

I have audited the financial statements of the Ypsilanti Housing Commission ("Housing Commission") as of and for the year ended June 30, 2006, and have issued my report, thereon, dated March 15, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I communicate certain matters to your audit committee or its equivalent. These communications are reported in the following paragraphs.

**Auditors' Responsibilities Under Auditing Standards Generally Accepted in the United States of America** - In planning and performing my audit of the financial statements, I considered your internal control in order to determine my auditing procedures for purposes of expressing my opinion on the financial statements and not to provide assurance on your internal control. Also, an audit conducted under auditing standards generally accepted in the United States of America is designed to obtain a reasonable, rather than absolute, assurance about the financial statements.

**Significant Accounting Policies** - The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. There were two audit adjusting journal entries, but no controversial accounting issues.

**Management Judgments and Accounting Estimates** - Significant management judgments and accounting estimates are disclosed in the notes to the financial statements.

**Other Information in Documents Containing Audited Financial Statements** - All the information included in the financial statements document has been audited and our responsibilities are addressed in the Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON COMMUNICATIONS WITH THE  
AUDIT COMMITTEE - CONTINUED**

**Audit Adjustments** - For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Housing Commission's financial reporting process (that is, cause future financial statements to be materially misstated). The attached audit adjustments, in my judgment, indicate matters that could have a significant effect on the Housing Commission's financial reporting process (see adjusting entries on pages 9 and 10).

**Disagreements With Management** - For purposes of this letter, professional accounting standards define disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. I am pleased to report that no such disagreements arose during the audit.

**Consultations With Other Accountants** - To my knowledge, management has not consulted with other accountants regarding auditing and accounting matters.

**Major Issues Discussed With Management Prior to Retention** - There were no discussions regarding the application of accounting principles or auditing standards with management prior to my retention as your auditor.

**Difficulties Encountered in Performing the Audit** - This year it was necessary to make more adjusting journal entries than what is usually necessary and some were material. Also, the interprogram receivables and payables did not reconcile, requiring a prior period adjustment to correct the problem. The staff was very cooperative and helpful.

This report is intended solely for the information and use of the audit committee or its equivalent and management and is not intended to be and should not be used by anyone other than these specified parties.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire more information on the above communications, I would welcome the opportunity to discuss them with you.

*Barry E. Sandell, CPA, PC*

March 15, 2007

**INDEPENDENT AUDITORS' REPORT ON  
MANAGEMENT ADVISORY COMMENTS**

To the Board of Commissioners  
Ypsilanti Housing Commission

I have audited the financial statements of the Ypsilanti Housing Commission ("Housing Commission") as of and for the year ended June 30, 2006, and have issued my report, thereon, dated March 15, 2007. I have also issued compliance reports and reports on the internal control in accordance with *Government Auditing Standards*. These reports disclosed no material instances of noncompliance, weaknesses and reportable conditions.

Other matters involving the Housing Commission's operations and internal control, which came to my attention during the audit, are reported on the following pages as management advisory comments.

I would like to take this opportunity to acknowledge the many courtesies extended to me by the Housing Commission's personnel during the course of my work.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, I would welcome the opportunity of assisting you in these matters.

*Barry E. Gaudette, CPA, P.C.*

March 15, 2007

YPSILANTI HOUSING COMMISSION  
MANAGEMENT ADVISORY COMMENTS  
June 30, 2006  
=====

**Housing Choice Voucher Program Tenant File Testing**

We selected at random eight (8) tenant files to test. We looked for the following documentation in the files:

	<u># of Exceptions</u>
a. Form HUD-50058	0
b. Privacy Act Notice	1
c. Proper Verification of Income	2
d. Proper Verification of Expenses	0
e. Proper Verification of Assets	1
f. Inspection Report	1
g. Lease	3
h. Application	1
i. Copy of Photo I.D.	2
j. Proof of Social Security Number	0
k. Birth Certificate	2
l. Annual Review or Move-In	0
m. Tenant Worksheet	0
n. Notice of Rent Adjustment	0
o. Criminal Background Check	3
p. Declaration of 214 Status	0
q. Lead Based Paint Disclosure	1
r. Authorization for Release of Information	0
s. Request for Tenancy Approval	1
t. Voucher	0
u. HAP Contract	1
v. HAP Tenancy Addendum	1
w. Rent Reasonableness Test	2
x. Inspection-Life Threatening Deficiencies made < 24 hours	0
y. Inspection-Corrections made < 30 days or granted by extension	2
z. Proper Action Taken if x or y violated	0
aa. Family Composition Review	<u>0</u>
	<u>24</u>

Out of a possible 216, there were 24 exceptions from this test. This represents an exception rate of 11.11%.

We recommend that the Housing Commission continue to obtain the documentation for all files. It should be noted that the exception rate for this program was low, relative to most other Housing Commissions that we audit.

YPSILANTI HOUSING COMMISSION  
MANAGEMENT ADVISORY COMMENTS  
June 30, 2006

=====

**Housing Choice Voucher Program Tenant File Testing (continued)**

The following is a short summary of exceptions:

<u>File</u>	<u>Client</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>
1	B					x			x	
2	C									
3	G	x							x	
4	J	x							x	
5	M	x								
6	O			x					x	
7	S								x	
8	W			x					x	
Number of Hits		<u>3</u>	<u>0</u>	<u>2</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>6</u>	<u>0</u>
% of Hits		<u>37%</u>	<u>0%</u>	<u>25%</u>	<u>0%</u>	<u>12%</u>	<u>0%</u>	<u>0%</u>	<u>75%</u>	<u>0%</u>

Legend

1. Criminal background check not conducted.
2. Check for eviction from Federal Housing not conducted.
3. Income/expense/asset verification not conducted.
4. Form HUD-50058 form could not be located in the tenant files.
5. HUD Form 9886, Release of Information/Privacy Act Notice is not in the file or is not completed properly for the fiscal year reviewed.
6. Social Security Number not verified with required documentation.
7. The Housing Commission could not locate the file.
8. The Housing Commission could not locate missing documents.
9. The tenant was not eligible to participate in the program.

*Additional Recommendations:* There were two areas that had the most exceptions. One was leases, where one file had the signature page of the lease missing, another file's lease was missing the landlord's signature, and one file was missing the entire lease. Other areas tested had incomplete or missing documents, but to a lesser extent. It is recommended that greater care be taken that all documents are completed correctly in the future.

The second area was the criminal background check. One file had the documentation still in the file. Any files that have a check in them, and it is no longer needed for any appeals or hearings should be shredded. Two files were missing evidence that the

YPSILANTI HOUSING COMMISSION  
MANAGEMENT ADVISORY COMMENTS  
June 30, 2006

=====

**Housing Choice Voucher Program Tenant File Testing (continued)**

criminal background check was done. It is understood, based on a discussion with staff, that a process is in place that documents that the criminal background check was done, without the actual criminal background check being in the file. It is recommended that this process be continued for all files.

Finally, it was understood from the staff that a process is in place to obtain independent proof of ownership from the landlords of Section 8 properties. It is recommended that this process be continued until this evidence is obtained for all properties. This will reduce the likelihood of fraud in the Voucher program.

YPSILANTI HOUSING COMMISSION  
MANAGEMENT ADVISORY COMMENTS

June 30, 2006

=====

**Low Rent Public Housing Program Tenant File Testing**

We selected at random eight(8) tenant files to test. We looked for the following documentation in the files:

	<u># of Exceptions</u>
a. HUD Form 50058	0
b. Privacy Act Notice	0
c. Proper Verification of Income	0
d. Proper Verification of Expenses	0
e. Proper Verification of Assets	4
f. Inspection Report	0
g. Lease	0
h. Application	0
i. Copy of Photo I.D.	1
j. Proof of Social Security Number	0
k. Birth Certificate	2
l. Annual Review or Move-In	0
m. Worksheet for HUD 50058	0
n. Notice of Rent Adjustment	0
o. Criminal Background Check	0
p. Declaration of 214 Status (citizenship)	0
q. Lead Based Paint disclosure	0
r. Authorization for Release of Information	0
s. Public Housing Choice of Rent	0
t. Evidence that Inspection Deficiencies were corrected	8
u. Family Composition Review	0
v. Waiting List Test (5 tenants tested)	<u>0</u>
	<u>15</u>

Out a possible 173, there were 15 exceptions from this test. This represents an exception rate of 8.67%.

We recommend that the Housing Commission continue to obtain the documentation for all files. It should be noted that the exception rate of 8.67% is very low as compared to other Housing Commissions that we audit. In addition, the exception rate for the Public Housing Coordinator's responsibilities is even lower (7 exceptions out of a possible 165). This represents an exception rate of 4.2%. The remaining exceptions (8 out of a possible 8) were from work orders that did not have correction documentation from the maintenance area.



YPSILANTI HOUSING COMMISSION  
MANAGEMENT ADVISORY COMMENTS

June 30, 2006

=====

**Low Rent Public Housing Program Tenant File Testing (continued)**

The following is a short summary of exceptions:

<u>File</u>	<u>Client</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>
1	P-004-418-08									
2	P-003-0317-06									
3	P-001-0144-06								x	
4	P-004-0449-06			x					x	
5	P-002-0207-04									
6	P-001-0192-13			x					x	
7	P-004-0423-08			x					x	
8	P-001-0116-14			x					x	
Number of Hits		<u>0</u>	<u>0</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>	<u>0</u>
% of Hits		<u>0%</u>	<u>0%</u>	<u>50%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>63%</u>	<u>0%</u>

Legend

1. Criminal Background check not conducted.
2. Check for eviction form Federal Housing not conducted.
3. Income/expense/asset verification not conducted.
4. Form HUD-50058 was not submitted to HUD, but we could not be locate the form in the tenant files.
5. HUD Form 9886, Release of Information/Privacy Act Notice not signed and dated.
6. Social Security Number not verified with required documentation.
7. The Housing Commission could not locate the file.
8. The Housing Commission could not locate missing documents.
9. The tenant was not eligible to participate in the program.

## **Low Rent Public Housing Inspection Deficiencies**

*Condition and Criteria:* There is not documentation in 100% of the tenant files tested to support that deficiencies noted in unit inspections were corrected. This is in violation of the ACOP Policy Annual Inspection Section 17.2.

*Effect:* Tenants may be in substandard units.

*Cause:* Maintenance staff did not document completion of any work done that was listed on the work orders that were generated as a result of the unit inspections.

*Population and Items Tested:* Out of 165 tenant files, 8 were tested and of these, 8 did not include documentation of any completed work.

*Auditor's Recommendation:* It is recommended that any corrective work in the units be properly documented and a copy placed in the file. In addition, it is recommended that a system be put in place that provides verification that generated work orders have been properly completed and that work documented in the file.

## **Tenant Services Expenditures**

HUD provides \$25 per tenant in the operating subsidy for the Housing Commission to spend on the tenants. The Housing Commission has a resident council to determine where to best spend the money, but the trial balance showed only \$1,901 spent, this compares to the subsidy of \$4,825.

We recommend that the Housing Commission classify any expenditures related to tenant services to that account, or be sure that the money is spent on tenant services in the future.

## **Flowers**

There was an immaterial amount spent on flowers for a deceased person on January 13, 2006. The State of Michigan considers this to be an unauthorized expenditure.

We recommend that the Housing Commission not expend HUD monies on the sick or departed in the future.

## **Outstanding Checks**

The Housing Commission in the Low Rent checking account had as of June 30, 2006, \$8,448.96 in outstanding checks that are from 2005.

We recommend that the Housing Commission investigate these outstanding checks and consider writing them off.

YPSILANTI HOUSING COMMISSION  
**ADJUSTING JOURNAL ENTRIES**  
June 30, 2006

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<u>Account #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
<b>LOW RENT PROGRAM</b>			
(1)			
2806	Prior period adjustment	\$530,536.26	
4800	Depreciation		\$ 530,536.26
	To adjust depreciation expense to actual.		
(2)			
1400	Maintenance equipment	48,540.00	
1455	Vehicles	27,582.00	
2806	Prior period adjustments		76,122.00
	To record additions from 12/31/04.		
(3)			
2806	Prior period adjustment	1,000.00	
1115	Legal services-Trust Acct.		1,000.00
	To adjust to zero.		
(4)			
2806	Prior period adjustment	22,984.04	
11560033	AAACF Restrtran	3,432.68	
11560043	2003 CFP	137,862.39	
1295	Interprogram	39,462.00	
11560008	Section 8		154,293.33
11560021	2001 DEC		20,473.95
11560033	Due to		4,500.00
11560043	2002 CFP		19,938.21
11560044	2004 CFP		4,116.77
1129	A/R-other		418.85
	To adjust interprogram due from/due to zero.		
(5)			
3110	Tenant rents	2,929.00	
2240	Deferred revenue		2,929.00
	To set up rents received the last two days in June.		
(6)			
3110	Tenant revenues	12,972.89	
1122	A/R-tenants		12,972.89
	To write-off rents due from tenants where the units have been vacated.		

YPSILANTI HOUSING COMMISSION  
**ADJUSTING JOURNAL ENTRIES**  
June 30, 2006  
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<u>Account #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
<b>LOW RENT PROGRAM</b>			
	(7)		
2145	Interprogram- due to	295,543.69	
2806	Prior period adjustment		295,543.69
	To adjust to zero.		

Electronic  
Submission  
Line Number

111	Cash- unrestricted	18,825	
347	Interprogram-due to	44,202	
508.1	Invested in capital assets	433,317	
704	Tenant revenue-other	27,272	
706.1	Capital grants	147,452	
943	Ordinary maint.-contract costs	29,382	
945	Employee benefits-maint.	82,783	
1008	Special items	14,371	
126	A/R-tenants		12,973
144	Interprogram due from		42,854
512.1	Unrestricted net assets		433,317
715	Other revenue		27,272
912	Auditing fees		7,200
915	Employee benefits-adm.		82,783
942	Ordinary maint.-materials		29,382
968	Severance expense		14,371
1001	Operating transfer in		147,452
	To reclassify.		

YPSILANTI HOUSING COMMISSION  
**ADJUSTING JOURNAL ENTRIES**  
June 30, 2006

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Electronic  
Submission

<u>Line Number</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
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**CAPITAL FUND PROGRAM**

	(1)		
706.1	Capital grants	\$ 375,414	
1104	Equity transfers	327,141	
706	HUD operating grants		\$ 147,452
165	Leasehold improvements		555,103

**HOUSING CHOICE VOUCHER PROGRAM**

	(1)		
347	Interprogram due to	\$ 155,033	
122	A/R-HUD		94,909
125	A/R-miscellaneous		5,982
973	HAP payments		54,142

	(2)		
715	Other revenue	273	
711	Investment income		273